

FISCAL NOTE

Bill #: HB0246

Title: Property tax exemption for veterans' organization's land

Primary Sponsor: Stoker, R

Status: As Introduced

Sponsor signature

Date

David Ewer, Budget Director

Date

Fiscal Summary

	<u>FY 2006 Difference</u>	<u>FY 2007 Difference</u>
Expenditures:		
General Fund	\$9,000	\$0
Revenue:		
General Fund	(\$1,618)	(\$1,618)
State Special Revenue	(\$106)	(\$106)
Net Impact on General Fund Balance:	(\$10,618)	(\$1,618)

- | | |
|---|--|
| <input type="checkbox"/> Significant Local Gov. Impact | <input checked="" type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts |
| <input type="checkbox"/> Dedicated Revenue Form Attached | <input type="checkbox"/> Needs to be included in HB 2 |

Fiscal Analysis

ASSUMPTIONS:

Department of Revenue:

1. This proposal extends the property tax exemption for veterans' organizations to include the land of the organization (see technical note 1), and extends the exemption granted on the clubhouse or building to include the personal property used in the building.
2. The department has identified 40 parcels of land that are owned by veterans' organizations that may be subject to the provisions of HB 246. The land is used for agricultural, forestland, residential and commercial purposes. The 2004 market value of the land is \$526,297 and the taxable value is \$16,077.
3. The department has identified 8 properties with personal property that may be subject to the proposal. The market value of this property is \$31,885 and the taxable value is \$957.
4. For purposes of this fiscal note, the value associated with all of the identified land and personal property from assumptions 2 and 3 is used to project fiscal impacts.
5. The bill is effective on passage and approval with a retroactive applicability date of December 31, 2004, or property tax payments received in FY 2006.
6. It is assumed that all eligible veterans organizations will apply in a timely manner with the department (See technical note 3).

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General fund impacts

7. The state general fund will experience an estimated decrease in taxes associated with the real property (land) of \$1,527 (\$16,077 X 95 mills).
8. The state general fund will experience an estimated decrease in taxes associated with personal property of \$91 (\$957 X 95 mills).
9. The total estimated decrease in taxes to the state general fund is \$1,618 (\$91 + \$1,527).

University 6 mill account

10. The university system 6 mill account will experience an estimated decrease in taxes associated with real property (land) of \$96 (\$16,077 X 6 mills).
11. The university system 6 mill account will experience an estimated decrease in taxes associated with personal property of \$6 (\$957 X 6 mills).
12. Total decrease in taxes to the university system 6 mill account is estimated at \$102 (\$6 + \$96).

Administration costs

13. The department anticipates a one-time only operating expense of \$9,000 for advertisement and communications to notify eligible organizations.

FISCAL IMPACT:

	<u>FY 2006 Difference</u>	<u>FY 2007 Difference</u>
<u>Expenditures:</u>		
Operating Expenses	\$9,000	
<u>Funding of Expenditures:</u>		
General Fund (01)	\$9,000	
<u>Revenues:</u>		
General Fund (01)	(\$1,618)	(\$1,618)
State Special Revenue (02)	(\$106)	(\$106)
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>		
General Fund (01)	(\$10,618)	(\$1,618)
State Special Revenue (02)	(\$106)	(\$106)

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

Since the identified lands location and use varies, the statewide average mill levy of 513.57 is used to project local government tax impacts. Using the aforementioned assumptions, local governments and schools would have their taxable value reduced by \$17,034 (\$16,077 land + \$957 personal property). With an estimated local mill levy of 412.57 (513.57 – 101 state mills), local governments and schools would lose \$7,027 (\$17,034 x 412.57) each year.

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Under 15-10-420, MCA, county and city governments could float their mill levies to offset this property tax revenue loss. The extent of revenue loss to counties and cities is dependant on each county and city government's choice to absorb the revenue loss, or to float mill levies to offset some or all of the revenue loss.

TECHNICAL NOTES:

1. The amount, location, and use of the land that might be eligible for exemption of a veterans' organization needs clarifying. Many such organizations own tracts of land that are used to produce income for the organization and are not appurtenant to the clubhouse. If the proposed exemption applies to all lands owned by the organization, as assumed in the fiscal note, it should be clear in the law. If the "land" identified in the bill is only the land associated with the clubhouse, it should be stated in statute.
2. Additionally, there is no acreage limits for the exemption specified in the bill. This could have significant future revenue impacts.
3. There is no mention of the application process. It is the department's understanding that, if the land associated with a veterans clubhouse is not already exempt, those organizations with an existing clubhouse exemption will have to re-apply in order to receive the land exemption. Under current Administrative Rule, and in order for the application to be effective for the current tax year, the department requires an application for exemption to be filed by March 1, or within 30 days of receiving an assessment notice, whichever is later. Consideration and direction should be provided in the bill to facilitate the change in taxable status afforded these properties.
4. There is no mention of "ownership". Many veterans' organizations have multiple properties but the names on the deeds of those properties may be different. Ownership requirements should be more clearly defined.